

# SENATE BILL REPORT

## SB 5441

---

---

As Reported by Senate Committee On:  
Environment, Water & Energy, February 13, 2009

**Title:** An act relating to creating incentives for the use of biomass in renewable energy production.

**Brief Description:** Creating incentives for the use of biomass in renewable energy production.

**Sponsors:** Senators Eide, Zarelli, Marr, Honeyford, Hargrove, Morton, Hatfield, Holmquist, Schoesler, Sheldon, Delvin, Shin, Hewitt, Kline and Benton.

**Brief History:**

**Committee Activity:** Environment, Water & Energy: 2/06/09, 2/13/09 [DPS-WM].

---

### SENATE COMMITTEE ON ENVIRONMENT, WATER & ENERGY

**Majority Report:** That Substitute Senate Bill No. 5441 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rockefeller, Chair; Pridemore, Vice Chair; Honeyford, Ranking Minority Member; Delvin, Fraser, Hatfield, Holmquist, Marr, Morton, Ranker and Sheldon.

**Staff:** William Bridges (786-7416)

**Background:** Business and Occupation Tax (B&O). The B&O tax is imposed on the gross receipts, income, or sales of a business operating in Washington. The tax rate varies depending on the classification of the business activity.

Sales and Use Taxes. Sales tax is imposed on retail sales of most items of tangible personal property and some services. The use tax is imposed on the same privilege of using tangible personal property or services in instances where the sales tax does not apply. Sales taxes are levied by the state, counties, and cities, and total rates vary from 7 to 8.9 percent. The use tax is paid directly to the Department of Revenue.

**Summary of Bill (Recommended Substitute):** Creating a B&O Tax Credit. A \$30 B&O credit is provided for each harvested green ton of forest-derived biomass that is sold, transferred, or used for the production of electricity, steam, heat, or biofuel. The exemption cannot be used for actions taken before October 1, 2009.

---

*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

The terms "harvested" and "harvesters" are defined in the state laws governing property taxes on timber and forest lands. "Biofuel" includes, but is not limited to, biodiesel, ethanol, and ethanol blend fuels and renewable liquid natural gas or liquid compressed natural gas made from biogas.

Creating Tax Exemptions. Sales and use tax exemptions are created for forest-derived biomass used to produce electricity, steam, heat, or biofuel.

"Biofuel" includes, but is not limited to, biodiesel, ethanol, and ethanol blend fuels and renewable liquid natural gas or liquid compressed natural gas made from biogas.

Compliance requirements are specified.

**EFFECT OF CHANGES MADE BY ENVIRONMENT, WATER & ENERGY COMMITTEE (Recommended Substitute):** The substitute removes references to Initiative 937.

**Appropriation:** None.

**Fiscal Note:** Available.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed. The tax incentives take effect on October 1, 2009.

**Staff Summary of Public Testimony on Original Bill:** PRO: The forestry industry is facing an economic crisis and this bill will help preserve jobs, promote healthy forests, and ensure CO2-neutral energy by encouraging the use of woody biomass. The forestry industry in eastern and western Washington is distressed, which is stressing rural local governments and social programs. This bill will help preserve the forestry industry and thereby help rural economies.

Because pulping liquor is not recognized as green power under Initiative 937, but is recognized as such in other states, the power being produced in many Washington biomass facilities is being exported out of state. Exported pulping-liquor power is being replaced in the state with more expensive power from wind and natural gas. The fiscal note is incorrect and should show zero impact because "forest derived biomass," unlike hog fuel, has no value and is not currently being sold.

**Persons Testifying:** PRO: Senator Eide, prime sponsor; Dave Andrew, Cowlitz PUD; Jack Baker, Energy NW; Tim Boyd, Boise Cascade, Vaagen Brothers Lumber; John Ehrenreich, Washington Forest Protection Association; Kevin Godbout, Weyerhaeuser; Dave McEntee, Simpson Investments; Robert Meier, Rayonier; Tom Nelson, Sierra Pacific Industries; Jerry Smedes, Cedar Grove Composting; Collins Sprague, Avista; Bill Stauffacher, NW Pulp & Paper Association, American Forest & Paper Association; Sean O' Sullivan, Association of Western Pulp and Paper Workers Union.